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Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

SAVANNA

RESOURCES LTD.

1990 ANNUAL REPORT

HIGHLIGHTS

- o Diamond drilling adds to Turner Albright copper-zinc-gold reserves and defines new orientation for orebody.
 - o Metallurgical test work on Turner-Albright Main Lower Zone mineralization indicates satisfactory recoveries are obtainable.
 - o Joint venture agreement on the Turner-Albright property signed with Cominco American Resources, Inc.
 - o Joint venture agreement on the Santa Rosa zinc property signed with Cyprus Metals Exploration Corporation.
 - o Mitsui Mining Company elects to participate with Cyprus in Santa Rosa project.
 - o Cyprus commences first phase of exploration program on Santa Rosa property.
 - o Interest in American Chromium Limited increased to 74%. Accounts now consolidated.
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CORPORATE DIRECTORY

Officers and Directors

John M. Alston, Calgary, Alberta
President and Director
Jan M. Alston, Calgary, Alberta
Secretary-Treasurer and Director
Ross P. Alger, Calgary, Alberta
Director
Thomas W. Whittingham, Invermere, B.C.
Director

Head Office

Suite 810, 540 - 5th Avenue S.W.
Calgary, Alberta T2P 0M2

Telephone: (403)269-5369
Telecopier: (403)261-2866

Information Officer

Patrick Heaney (604)732-0990

SHAREHOLDER INFORMATION

Transfer Agent

Central Guaranty Trust Company
#200, 104 4th Avenue S.E.
Calgary, Alberta T2G 0C4

Auditors

Dunwoody & Company
3rd Floor, 1015 4th Street S.W.
Calgary, Alberta T2R 1J4

Bankers

Royal Bank of Canada
339 8th Avenue S.W.
Calgary, Alberta T2P 2N4

Solicitors

Fenerty, Robertson Fraser & Hatch
2900, 700 9th Avenue S.W.
Calgary, Alberta T2P 4A7

DIRECTORS' REPORT

TO THE SHAREHOLDERS

The past year was undoubtedly the most exciting in the Company's history. It commenced with Aur Resources Inc. initiating a program of diamond drilling and metallurgical testwork on our Turner-Albright copper-zinc-gold deposit in southern Oregon and ended with us negotiating a new joint venture agreement with Cominco American Resources Incorporated on the same property. Aur's drilling program was successful, resulting in a substantial increase in the Turner-Albright Main Lower Zone reserves. More importantly, the new intersections carried gold values exceeding the average for the deposit and established that the east-west dimension of the orebody exceeded the north-south strike length previously considered its maximum dimension. The deposit's limits remain to be tested in several directions.

Aur's metallurgical test work was also encouraging, particularly in the Main Lower Zone mineralization, thereby removing what was previously thought might be a major obstacle to the economic exploitation of the deposit.

Aur's success at the Turner-Albright project was, however, overshadowed by its spectacular discovery in Louvicourt Township in Quebec. Savanna's management was therefore not totally surprised when Aur elected in December 1989 not to exercise its option on the Turner-Albright property. After analyzing the data provided by Aur, we decided to pursue a new joint venture partner possessing the capability of carrying the project to production.

Our efforts have culminated in a joint venture agreement signed subsequent to the year end with Cominco American Resources Incorporated. By delivering a comprehensive mine feasibility study and commencing development, Cominco will earn a 50% interest in the property. We have been impressed by Cominco's work on such projects as Redfern Resources Ltd.'s Tulsequah Chief base metal deposit and look forward to their having similar success with ours.

To consolidate Savanna's interest in the Turner-Albright property an exempt take-over bid was made early in the year to several major shareholders of American Chromium Limited, owner of a 25% interest in the property. Savanna's consolidated financial statements now include the accounts of this subsidiary, in which we presently hold 86% of the voting shares and 74% of the total equity.

In 1984 we leased the Santa Rosa mine in Inyo County, California. This property, which formerly was held by Anaconda Copper, had seen small scale production of high grade lead-silver ore for a number of years. While the potential for developing additional similar ore remains good, the real value of the property lies in its potentially large tonnage of zinc ore encountered in old workings and underground diamond drill holes but largely ignored by the earlier operators.

As zinc markets improved, the major reserve potential of the Santa Rosa mine attracted the attention of zinc producers. Subsequent to the year end, we signed a joint venture agreement with Cyprus Metal Exploration Corporation giving them the right to earn a 75% interest in the property by completing a \$3.5 million (U.S.) program of exploration and development including a comprehensive mine feasibility study. Mitsui Mining Company are participating with Cyprus in this program.

After reviewing the results of our second year's exploration program in the Snowbird Lake area, Northwest Territories, we elected not to proceed with further earning. Our interest in the properties is now 15% and operatorship has been returned to Comaplex Resources Inc. Several zones of gold mineralization on the property warrant investigation.

In management's view, the single factor most inhibiting investor confidence in the Savanna group of companies in the past has been our working capital deficiency. With this in mind we embarked on a program of debt reduction, which we shall maintain. During the past year we were able to repay the bank loan of a subsidiary and to arrange the settlement of its debentures which had been in default since 1986. Since the year end the last of the debentures has been retired and a note payable in the amount of \$534,000 repaid. In the sixteen months since our previous year end some \$2.5 million has been removed from the consolidated liabilities of the Company, which we feel is a major achievement, considering present economic conditions. The reduction in debt was accomplished through private placements of equity, secondary placements from shares of the Company held by a subsidiary and payments received on our note receivable.

As part of the secondary placements noted above, options to purchase additional shares were granted by the subsidiary to the purchasers resulting in all the shares of the Company presently held by the subsidiary being subject to option. Should the market price of the Company's shares rise above the exercise prices of the several options, it is anticipated that the subsidiary would receive proceeds of some \$1.2 million from the exercise of all the options.

ON BEHALF OF THE BOARD

Calgary, Alberta
November 7, 1989

"John M. Alston"
President

MINERAL EXPLORATION

The Company maintains an active program in California and Oregon exploring for massive sulphide deposits. Properties with significant reserves include the Turner-Albright and Island Mountain polymetallic deposits. The company also is actively exploring for gold in the Northwest Territories, British Columbia and Nevada.

Turner-Albright, Josephine County, Oregon

The Company owns the Turner-Albright property, situated just north of the Oregon-California state line, two miles west of U.S. Highway 199 near O'Brien, Oregon. Some 340 acres of fee lands containing the main showing are situated in Josephine County, Oregon. Additional claims have been staked in Oregon and adjoining Del Norte County, California.

The Turner-Albright is a modified Cyprus type massive sulphide deposit, hosted in Jurassic pillow basalts. The upper portion of the deposit is massive sulphide, grading downward into a sulphide replacement and breccia filling of sea floor rubble. Drilling has established lateral dimensions of 400 feet by 600 feet and confirmed that the deposit extends at least to 1300 feet in depth. In cross section the deposit appears as three stacked, pod-like ore zones plunging steeply to the southeast. Repetitions of geological sequences in several deep drill holes suggest other pods probably exist.

Data obtained from 81,000 feet of diamond drilling in 68 holes, detailed assaying of the mineralized zones, deep probing surface and down hole pulse EM surveys have established drill-indicated reserves of about 4,000,000 tons containing 400,000 oz. gold, 1,600,000 oz. silver, 100,000,000 lbs copper and 240,000,000 lbs zinc. This reserve occurs within a sulphide mass totalling some 15,000,000 tons.

Utilizing a cut-off grade of U.S. \$75 per ton and prices as shown, gross metal values are as follows:

Metal	Grade	Price	Value per ton	Gross Value(000's)
Gold	0.114 oz./ton	\$350.00/oz.	\$39.90	\$140,000
Silver	0.443 oz./ton	4.00/oz.	1.77	6,400
Copper	1.482%	1.00/lb.	29.24	105,300
Zinc	3.325%	0.60/lb.	39.90	143,600
Cobalt	0.055%	6.50/lb.	7.15	25,700

Total gross metal value

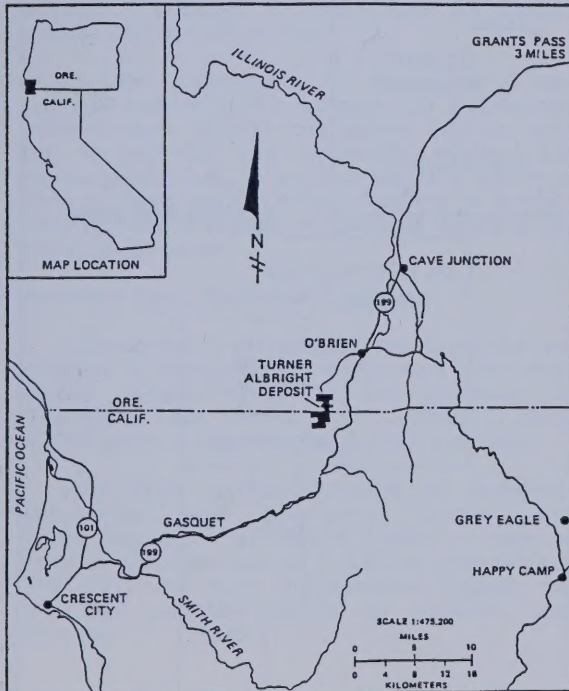
U.S. \$421,000

The profitability of mining the Turner-Albright deposit will be significantly affected by the scale of the operation and the efficiency of the metallurgical recovery of the contained gold, silver, copper and zinc. R.L. Russell Associates in a preliminary feasibility study of the project concluded that, given reasonable metallurgical recoveries, mining should be profitable.

In August 1989, Aur Resources Inc. commenced a program of diamond drilling and metallurgical test work in return for an option to December 1990 to earn a 51% interest in the property. Aur's work on the property, consisting of some 6400 feet of diamond drilling and down hole pulse EM surveys, extended the ore body four hundred feet to the east and added some 387,000 tons grading 0.175 oz./ton gold, 1.09% copper and 2.32% zinc to the Main Lower Zone.

Metallurgical test work completed on the Main Lower Zone Mineralization demonstrated that saleable concentrates are obtainable by conventional milling and flotation techniques with recoveries of up to 80% for copper and 65% for zinc.

Aur did not exercise their option.



Subsequent to the year end, the Company granted Cominco American Resources Incorporated the right to earn a 50% interest in the Turner-Albright property by completing further drilling, delivering a comprehensive production feasibility study and commencing development. In the event delivery of the feasibility study is delayed beyond two years, Savanna will receive a credit towards its share of the mine capital costs of \$2 million, escalating to \$4 million in the fifth and final year. Cominco's stated objective is to expand the reserves to at least 10 million tons.

Santa Rosa, Inyo County, California

The Company holds the mining rights to the 100 claim Santa Rosa property in Inyo County, California. The property includes the Santa Rosa Mine which produced in excess of 80,000 tons grading 11.6 oz. per ton silver, 15.4% lead and 6.2% zinc. The Company's consultants see good potential for developing a large tonnage of bedded zinc ore at the Santa Rosa Property. Drilling to date has penetrated 650 feet of horizontal, zinc-bearing limestone containing 9 ore-grade horizons with a cumulative thickness of 129 feet averaging 8.8% zinc. Assuming the lateral dimensions of the mineralization are equivalent to the area of mineralized limestone exposed, 17 million tons containing 3 billion pounds of zinc are indicated to the depth drilled. The full lateral extent and ultimate thickness of the zinc mineralization are unknown. Experience obtained from nearby mines at Darwin and Cerro Gordo suggests that mineralization probably continues to at least 1000' in depth.

The Company recently signed a joint venture agreement granting Cyprus Metals Exploration Corporation the right to earn a 75% interest in the Santa Rosa property by completing a \$3.5 million exploration and development program including a comprehensive feasibility study. Savanna will retain a 25% working interest or a 12.5% net proceeds of production royalty. Cyprus has completed remapping and sampling of the mine workings and is about to start a deep drilling program with the objective of expanding reserves.

Gilbert, Esmeralda County, Nevada

In October 1989 a significant wollastonite discovery was announced on claims adjoining the Company's gold properties near Tonopah, Nevada.

A major gold mining company is negotiating to acquire the Maclean Mine, located near the ghost town of Gilbert, northwest of Tonopah, Nevada in which we hold a 5% net profits interest, and adjoining claims, in which we hold a 1% gross royalty.

To the south of the Maclean Mine, the company holds a 1420 acre block of adjoining claims known as

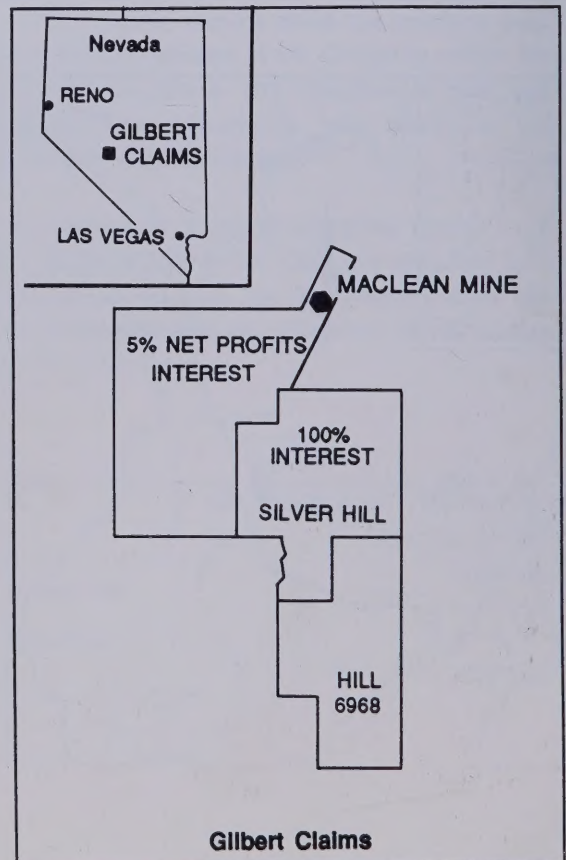
the Silver Hill and Hill 6968 properties. Samples taken from trenches excavated on the Silver Hill property yielded gold assays as high as 0.47 oz/ton, with many in the 0.02 to 0.13 oz/ton range. The major mining company has expressed interest in negotiating a joint venture on the Company's Gilbert properties.

Island Copper Mine, Trinity County, California

The Company owns the Island Mountain copper-gold property located 35 miles east of Garberville, California. Mining of this deposit was carried on between 1917 and 1930 with recorded shipments of 131,000 tons averaging 3.29% copper, 1.09 oz/ton silver and 0.065 oz/ton gold.

Recent diamond drilling intersected the massive sulphide mineralization below the old workings, demonstrating the deposit is open to depth. The ultimate size of the deposit is unknown.

Preliminary metallurgical test work has confirmed that the ore is amenable to normal flotation technology with acceptable recovery of gold in the copper concentrate.



Courageous Lake

The 60 kilometer long Courageous Lake gold belt, situated some 200 kilometers northwest of Yellowknife is the site of two former gold mines and numerous gold occurrences including Noranda's 30 million ton Tundra deposit, grading 0.20 oz/ton.

Through the Company's subsidiary, Courageous Exploration Inc., we hold leases controlling the prospective greenstone contact zone for 25 kilometers north from the boundary of Noranda's ground and containing several significant gold occurrences.

On the Sour Lake lease block diamond drilling has identified two zones of gold mineralization. One is near the surface showing at Sour Lake where an intersection of one meter assayed 0.25 oz gold per ton.

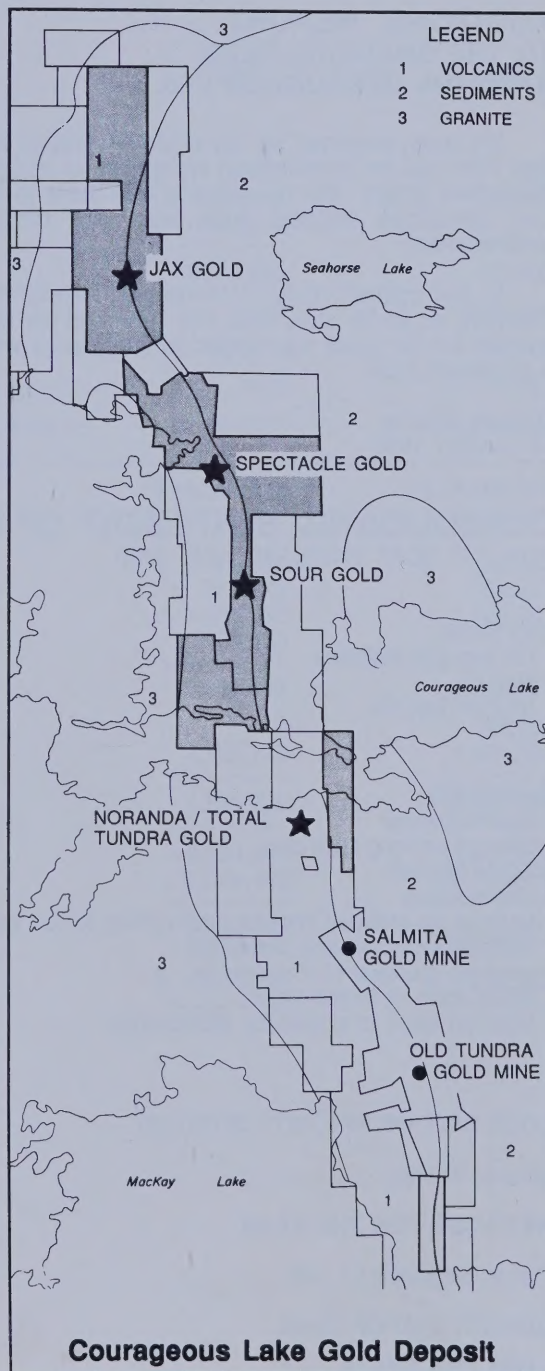
The second gold occurrence is located some 6 kilometers further north near Spectacle Lakes. Surface samples in float near a 1.5 kilometre long geophysical anomaly assayed up to 0.28 oz gold per ton. Two diamond drill holes drilled into the anomaly, intersected 3 meters and 2.5 meters grading 0.23 oz gold per ton.

In the northernmost 10 kilometers of our holdings diamond drilling indicates the Jax deposit contains some 40,000 tons grading 0.40 oz. gold per ton with the best intersection returning 5.2 meters grading 0.49 oz. gold per ton. The deposit is open to depth and on strike. Geophysical surveys have provided a number of additional targets which remain to be tested.

Snowbird Lake, Northwest Territories

Courageous Exploration Inc. has completed two summers of exploration in the Snowbird Lake area, several hundred miles to the southwest of Courageous Lake, earning a 15% interest in some 40,000 hectares of prospecting permits and claims.

Our initial program consisted of geological, geochemical and geophysical surveys and prospecting. Gold occurrences yielded a suite of samples which assayed up to 6.28 oz. gold per ton. The grade and mode of occurrence suggests the area has excellent potential for economic gold deposits.



AUDITORS' REPORT TO THE SHAREHOLDERS SAVANNA RESOURCES LTD.

We have examined the consolidated balance sheets of Savanna Resources Ltd. as at 30 June 1990 and 1989 and the consolidated statements of income and deficit and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at 30 June 1990 and 1989 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Alberta
15 October 1990

Dunwoody & Company
Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT FOR THE YEAR ENDED 30 JUNE 1990

	<u>1990</u>	<u>1989</u>
REVENUE		
Oil and gas royalties	\$ 18,745	\$ 17,632
Rental	6,790	7,354
Interest income	240,024	--
	<u>265,559</u>	<u>24,986</u>
EXPENSES		
Administrative	459,222	329,300
Interest on long-term debt	42,777	--
Other interest	313,020	233,267
Depreciation	7,044	9,406
Loss of an affiliated company accounted for on the equity basis	--	426,927
Write-down of mineral properties	423,599	--
Loss on disposal of investments	--	83,473
Write-down of investments	--	999,998
Loss on issue of shares by subsidiaries	--	23,615
	<u>1,245,662</u>	<u>2,105,986</u>
LOSS BEFORE MINORITY INTEREST	(980,103)	(2,081,000)
Minority interest	193,953	366,260
NET LOSS FOR THE YEAR	(786,150)	(1,714,740)
Deficit, beginning of year	(9,263,319)	(7,548,579)
DEFICIT, END OF YEAR	<u>\$(10,049,469)</u>	<u>\$(9,263,319)</u>
LOSS PER SHARE	\$ <u>(.03)</u>	\$ <u>(.08)</u>

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 1990

	<u>1990</u>	<u>1989</u>
ASSETS		
CURRENT		
Cash	\$ 11,863	\$ 800
Accounts and advances receivable	58,608	32,760
Current portion of note receivable, note 4	1,007,979	--
	<u>1,078,450</u>	<u>33,560</u>
INVESTMENTS, note 5	2	844,393
FIXED ASSETS, notes 6	89,870	96,720
PETROLEUM AND NATURAL GAS PROPERTIES, note 7	253	28,797
MINERAL PROPERTIES AND DEFERRED COSTS, note 8, schedule	13,166,221	12,688,815
	<u>\$ 14,334,796</u>	<u>\$ 13,692,285</u>
LIABILITIES		
CURRENT		
Bank indebtedness, note 9	\$ 79,438	\$ 160,365
Accounts payable and accrued liabilities	718,113	359,017
Notes payable and accrued interest, note 10	1,435,512	1,168,841
Current portion of long-term debt, note 11	100,000	--
	<u>2,333,063</u>	<u>1,688,223</u>
DUE TO AN AFFILIATED COMPANY, note 12	--	158,360
MINORITY INTEREST, note 13	2,196,735	1,821,095
	<u>4,529,798</u>	<u>3,667,678</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL, note 14	19,854,467	19,287,926
DEFICIT	(10,049,469)	(9,263,319)
	<u>9,804,998</u>	<u>10,024,607</u>
	<u>\$ 14,334,796</u>	<u>\$ 13,692,285</u>
NATURE OF OPERATIONS, note 1		
SIGNIFICANT ACCOUNTING POLICIES, note 2		
ACQUISITIONS, note 3		
INCOME TAXES, note 15		
RELATED PARTY TRANSACTIONS, note 16		
CONTINGENT LIABILITIES, note 17		
SUBSEQUENT EVENTS, note 18		
SEGMENTED INFORMATION, note 19		
COMPARATIVE FIGURES, note 20		

Approved on behalf of the Board:

John M. Alston
Director

Jan M. Alston
Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 1990

	<u>1990</u>	<u>1989</u>
CASH PROVIDED (USED) BY		
OPERATING ACTIVITIES		
Operations		
Net loss for the year	\$ (786,150)	\$ (1,714,740)
Items not involving cash		
Loss of an affiliated company accounted for on the equity basis	--	426,927
Minority interest	(193,953)	(366,260)
Depletion and depreciation	7,044	9,406
Loss on issue of shares by subsidiary	--	23,615
Write-down of mineral properties	423,599	--
Loss on disposal of investments	--	83,473
Write-down of investments	--	999,998
	<u>(549,460)</u>	<u>(537,581)</u>
Changes in non-cash working capital balances		
Accounts and advances receivable	(25,848)	3,677
Accounts payable and accrued liabilities	359,096	115,624
	<u>(216,212)</u>	<u>(418,280)</u>
FINANCING ACTIVITIES		
Increase in minority interest	569,593	300,600
Issue of share capital, net	566,541	1,235,500
Notes payable and accrued interest	266,671	114,027
Due to affiliated company	(158,360)	(867,741)
Current portion of long-term debt	100,000	--
	<u>1,344,445</u>	<u>782,386</u>
INVESTING ACTIVITIES		
Note receivable	(1,007,979)	--
Proceeds on disposal of investments	3,179,028	35,456
Acquisition of investments	(2,334,515)	(59,005)
Acquisition of fixed assets	(3,785)	(375)
Acquisition of mineral properties, less depreciation deferred of \$3,469 (1989 - \$3,484)	(1,040,036)	(457,286)
Write-down of mineral properties on consolidation, note 3(a)	142,500	--
Proceeds on disposal of petroleum and natural gas properties	28,544	--
	<u>(1,036,243)</u>	<u>(481,210)</u>
INCREASE (DECREASE) IN CASH	<u>91,990</u>	<u>(117,104)</u>
Bank indebtedness, beginning of year	(159,565)	(42,461)
BANK INDEBTEDNESS, END OF YEAR	<u>\$ (67,575)</u>	<u>\$ (159,565)</u>
Represented by		
Cash	\$ 11,863	\$ 800
Bank indebtedness	(79,438)	(160,365)
	<u>\$ (67,575)</u>	<u>\$ (159,565)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 1989

1. NATURE OF OPERATIONS

The Company, directly and through joint ventures, is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies of the Company:

(a) Basis of financial statements

The accompanying financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As at the date of issue of these financial statements, the Company was in a deficit position from accumulated operating losses and was experiencing a negative cash flow from ongoing operations.

Continuation of the Company as a going concern is dependent upon obtaining additional capital and achieving satisfactory levels of profitable operations. The financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the company be unable to continue as a going concern.

Although successful resolution of these uncertainties is not assured, management is of the opinion that additional capital can be raised.

(b) Principles of consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries as follows:

American Chromium Limited (72% owned)
Baretta Mining, Inc. (95.9% owned)
Courageous Exploration Inc. (62.6% owned)
Investors Equity Inc. (64.6% owned)
Island Copper Company (100% owned)
Turner Albright Holding Inc. (100% owned)

(c) Fixed Assets

Fixed assets are recorded at cost. Depreciation is computed on a straight-line method, based on the estimated useful lives of individual assets ranging from three to ten years. Part of the current provision for depreciation has been charged to mineral properties and deferred costs.

(d) Petroleum and natural gas properties

The Company follows the full cost method of accounting for its oil and gas properties, wherein all costs related to the exploration for and development of oil and gas reserves are initially capitalized. Costs capitalized included land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and non-productive wells, together with overhead and interest directly related to exploration and development activities. Proceeds on minor property sales are credited to the net book value of the property and equipment. Gains or losses are not recognized upon disposition of oil and natural gas properties unless such disposition would significantly alter the rate of depletion and depreciation.

Costs capitalized are depleted using the composite unit-of-production method based on proven oil and gas reserves as determined by independent and Company engineers.

(e) Mineral properties and deferred costs

Costs of acquisition and development of mineral properties are capitalized on an area of interest basis. Amortization of these costs will be on a unit of production basis, based on estimated proven reserves of minerals of the areas should such reserves be found. If an area of interest is abandoned the costs thereto will be charged to income in the year of abandonment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 1990

2. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

(f) Foreign exchange

Foreign currencies have been translated to Canadian dollars as follows: revenue, costs and expenses at the average rates of exchange during the year, non-monetary assets and liabilities at the rates in effect at dates of the transactions, and monetary assets and liabilities at rates in effect at the end of the year.

3. ACQUISITIONS

(a) American Chromium Limited

Investment in American Chromium Limited on an equity basis - 29.7% of the issued and outstanding shares (balance at beginning of year) \$ 844,390

At various dates during the year, the Company acquired an additional 42.3% of the issued and outstanding shares of American Chromium Limited, as follows:

Consideration:

Cash	121,421
Common shares issued	<u>2,200,000</u>
	<u>\$3,165,811</u>

The acquisition has been accounted for by the purchase method and is allocated as follows:

Current assets	\$ 11,362
Due from an affiliated company	159,064
Note receivable	1,733,684
Investment in affiliated companies	4,152,001
Mineral properties and deferred costs	<u>645,197</u>
	<u>6,701,308</u>

Current liabilities	<u>(2,181,123)</u>
	4,520,185

Minority interest in American Chromium Limited	<u>(1,265,652)</u>
	<u>\$ 3,254,533</u>

Excess of book value of net assets acquired in American Chromium Limited over cost of acquisition (allocated to mineral properties and deferred costs) \$ 88,722

The Company indirectly acquired an additional 16% interest in Courageous Exploration Inc. as a result of its acquisition of American Chromium Limited. This resulted in an excess of book value of net assets acquired in Courageous over cost (allocated to mineral properties and deferred costs) 53,778

Total write-down of mineral properties and deferred costs on consolidation allocated to the Courageous Lake property (see consolidated schedule of mineral properties and deferred costs) \$ 142,500

(b) Turner Albright Holding Inc.

The agreement dated 30 March 1988 between the Company and Baretta Mining Inc. relating to the sale of shares in Turner Albright Holding Inc. had the delivery of the shares as a condition precedent. During the year, the Company was made aware that the condition could not be met and as a result, the agreement was declared null and void.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 1990

4. NOTE RECEIVABLE

	<u>1990</u>	<u>1989</u>
Note receivable	\$1,007,979	\$ --
Current portion	<u>(1,007,979)</u>	<u>--</u>
	<u>\$ --</u>	<u>\$ --</u>

Repayment can be effected by either cash or repurchased debentures of American Chromium Limited presented for cancellation. The note bears interest at prime plus 2%, is secured by 1,855,000 shares of the Company, and is due on 15 June 1991.

5. INVESTMENTS

	<u>1990</u>	<u>1989</u>
American Chromium Limited		
1989 - 10,410,726 Class "A" voting shares	\$ --	\$844,391
Northcor Energy Ltd.		
606,000 Class "A" common shares	<u>\$ 2</u>	<u>2</u>
	<u>\$ 2</u>	<u>\$844,393</u>

The Company's investment in American Chromium Limited is now consolidated with the accounts of the Company. (See note 3).

The Company's investment in Northcor Energy Ltd. has been written down in the accounts to a nominal value.

6. FIXED ASSETS

	<u>1990</u>		<u>1989</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 81,193	\$ --	\$ 81,193	\$ --
Buildings	69,685	64,565	69,685	57,490
Equipment and furniture	51,988	48,431	48,203	44,871
	<u>202,866</u>	<u>112,996</u>	<u>199,081</u>	<u>102,361</u>
Costs less accumulated depreciation	<u>\$ 89,870</u>		<u>\$ 96,720</u>	

7. PETROLEUM AND NATURAL GAS PROPERTIES

	<u>1990</u>		<u>1989</u>	
	<u>Cost</u>	<u>Accumulated depletion</u>	<u>Cost</u>	<u>Accumulated depletion</u>
Petroleum and natural gas properties	\$ 25,450	\$ 25,197	\$ 53,994	\$ 25,197
Cost less accumulated depletion	<u>\$ 253</u>		<u>\$ 28,797</u>	

8. MINERAL PROPERTIES AND DEFERRED COSTS

(a) Turner Albright Property

The Company holds a 100% ownership interest in the fee lands containing the sulphide deposit and a 100% ownership interest in the claims surrounding the fee lands in the Turner Albright Property located in Josephine County, Oregon, U.S.A.

(b) Santa Rosa

The Company holds 100% of a mining lease on certain claims known as the Santa Rosa Mine, Inyo County, California. In order to maintain this interest, the Company must make the following payments:

- i) Advance royalty payments of \$25,000 U.S. per year, due 15 October.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 1990

8. MINERAL PROPERTIES AND DEFERRED COSTS - (CONTINUED)

(b) Santa Rosa (continued)

- ii) Production royalty payments of 5% of net smelter returns. The Company can recapture all advance royalty payments made from 10% of production royalties payable.

If the property is not in sustained commercial production by 10 August 2002, the leaseholders have the option to terminate this lease. For each 1,000,000 tons of ore reserves discovered through exploration the Company is required to remit 100,000 shares of the Company to the leaseholder, up to a maximum of 450,000 shares.

(c) Island Mountain Property

The Company owns a 100% undivided interest in the Island Mountain property located in Trinity County, California, U.S.A. Upon the property being put into production, the Company is required to remit to the vendors 28,000 American Chromium Limited Class "A" voting common shares and 28,000 American Chromium Limited Class "B" non-voting shares.

(d) Silver Hill

The Company has an option giving them the exclusive right to explore, develop and mine the Silver Hill group of 42 unpatented lode mining claims in the Gilbert Mining District, Esmeralda County, Nevada, with a maximum term of 50 years, subject to placing the properties into commercial production by 15 December 1996 and paying:

- i) Advance minimum royalties of \$25,000 per year, due 15 December.
- ii) Production royalty payments of 5% of net smelter returns. The Company can recapture all advance royalty payments made from 25% of the production royalties payable.

(e) Hill 6968

The company has an option to earn a 100% interest in a mining lease on the Hill 6968 prospect in the Gilbert Mining District of Esmeralda County, Nevada, subject to fulfilling the following commitments:

- i) Advance royalty payments of \$25,000 U.S. per year, due 15 March.
- ii) Production royalty payments of 5% of net smelter returns. The Company can recapture all advance royalty payments made from 25% of the production royalties payable.

(f) Kemco Joint Venture

The Company has a 5% net proceeds interest in certain Nevada mining claims known as the Gilbert properties located in the Gilbert Mining District, Esmeralda County, Nevada.

(g) Black Mammoth

The Company has acquired an assignment of 1% of net smelter returns interest in certain unpatented lode mining claims known as the Black Mammoth, Lu Lam and GLB claims in the Gilbert Mining District, Esmeralda County, Nevada, subject to the property being placed in commercial production by 8 September 2000.

(h) Coal Leases

The Company has a 100% interest in two coal mining leases on a total of 1,280 acres in Carbon County, Wyoming subject to paying:

- i) Advance minimum royalties of \$25,000 U.S. per lease per year, and
- ii) A 2% overriding gross royalty on all coal mined and sold from the property. The Company can recapture all advance royalty payments made from 25% of the production royalties payable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 1990

8. MINERAL PROPERTIES AND DEFERRED COSTS - (CONTINUED)

(i) Silver Basin

The Company owns 100% of two claim blocks and two Crown grants in the Trout Lake Area of British Columbia.

(j) Courageous Lake

The Company owns 100% of four blocks of mineral claims and mining leases in the Courageous Lake Area of the District of Mackenzie, N.W.T.

(k) Snowbird Lake

The Company owns 15% of seven blocks of mineral claims and five permits in the Snowbird Lake Area, N.W.T.

9. BANK INDEBTEDNESS

	1990	1989
Bank loan plus accrued interest	\$ 79,438	\$160,365

As collateral the bank has been given an assignment of 870,000 Class A shares of American Chromium Limited, an assignment from a director of 1,500,000 shares of Northcor Energy Ltd., and a guarantee and postponement of claim of \$92,500 from each of American Chromium Limited and a director.

10. NOTES PAYABLE AND ACCRUED INTEREST

	1990	1989
Notes payable and accrued interest consist of:		
Note payable to a director, (Note 10(a))	\$ 283,415	\$ 372,797
Note payable, (Note 10(b))	55,316	49,321
Note payable, (Note 10(c))	197,118	--
Note payable to Encee Group Ltd., (Note 10(d))	532,019	475,152
Note payable to Mahoney Holdings Limited, (Note 10(e))	<u>367,643</u>	<u>271,571</u>
	<u>\$1,435,511</u>	<u>\$1,168,841</u>

(a) The note payable bears interest at prime plus 2%, repayable on demand and is secured by 150,000 shares of American Chromium Limited, 72,000 shares of the Company held by American Chromium Limited and the personal guarantee of a director.

(b) The note payable bears interest at 18% per annum and is secured by fixed assets.

(c) The note payable bears interest at prime plus 2% and is unsecured.

(d) The note is payable to a related party. It is due on demand and is secured by 606,000 Class A common shares of Northcor Energy Ltd. Interest is payable at 1% per month. Subsequent to year-end, the note has been repaid by issuing common shares of the Company. See note 18.

(e) The note payable is due on demand and is secured by all of the outstanding shares of a subsidiary company, Turner Albright Holding Inc. Interest is payable at 15% per annum. The amount is in default and the creditor has filed a claim to have the security realized. Management is of the opinion that no additional liability exists to the creditor other than \$367,643, which has already been recorded. Turner Albright Holding Inc. has total assets of \$416,298 and total liabilities of \$227,775.

11. LONG-TERM DEBT

	1990	1989
Prime plus 1% convertible debentures secured by a floating charge on assets (in default, see below)	\$ 100,000	\$ --
Current portion	<u>(100,000)</u>	<u>--</u>
	<u>\$ --</u>	<u>\$ --</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 1990

11. LONG-TERM DEBT - (CONTINUED)

The convertible debentures secured by a floating charge on assets of American Chromium Limited and 1,210,000 shares of the Company held by American Chromium Limited matured 31 December 1985. The Company is accruing interest at the rate of prime plus 1%. As at 30 June 1990, the Company had accrued interest in the amount of \$74,554. Subsequent to the year end, the long-term debt has been repaid.

12. DUE TO AN AFFILIATED COMPANY

	<u>1990</u>	<u>1989</u>
American Chromium Limited	\$ --	\$158,360

The amount is unsecured, non-interest bearing and has no specific terms of repayment.

13. MINORITY INTEREST

	<u>1990</u>	<u>1989</u>
Balance, beginning of year	\$1,821,095	\$1,886,755
Increase due to an acquisition by the Company, net	569,593	--
Increase due to subsidiary companies issuing share to minority shareholders, net	--	300,600
Minority interest's share of net losses for the year	(193,953)	(366,260)
	<u>375,640</u>	<u>65,660</u>
Balance, end of year	\$2,196,735	\$1,821,095

14. SHARE CAPITAL

- a) Authorized
Unlimited number of common shares, first preferred shares and second preferred shares.

	<u>Shares</u>	<u>Amount</u>
b) Issued		
Common Shares		
Issued and outstanding 30 June 1988	19,379,745	\$18,052,426
Issued for cash	3,200,000	1,208,000
Issued on exercise of warrants	1,150,000	300,000
Issued pursuant to employee stock options	<u>5,000</u>	<u>2,500</u>
Total issued and outstanding	23,734,745	19,562,926
Less shares held by subsidiary company	<u>(1,050,000)</u>	<u>(275,000)</u>
Issued and outstanding at 30 June 1989	22,684,745	19,287,926
Issued in exchange for shares in American Chromium Limited	4,000,000	2,200,000
Issued for cash	150,000	120,000
Issued on exercise of warrants	550,000	165,000
Issued pursuant to employee stock options	<u>165,000</u>	<u>81,500</u>
Total issued and outstanding	27,549,745	21,854,426
Less shares held by subsidiary companies	<u>(3,648,308)</u>	<u>(1,999,959)</u>
Consolidated issued and outstanding at 30 June 1990	<u>23,901,437</u>	<u>\$19,854,467</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 1990

14. SHARE CAPITAL (CONTINUED)**(c) Employee Incentive Stock Option Plan**

The Company has an Employee Incentive Stock Option Plan whereby the directors may grant the right to employees to purchase shares of the Company. The total number of shares optioned according to the plan may not exceed 400,000. The option price per share may not be less than the fair market value less an appropriate discount on the stock price on the day the option is granted.

(d) Warrants and Options

As at 30 June 1990 the following remained outstanding:

- i) pursuant to the Employee Incentive Stock Option Plan there remained outstanding options to purchase 80,000 shares at \$.50 per share expiring 31 October 1990 and 5,000 shares at \$.30 per share expiring 1 September 1992.
- ii) pursuant to the issue of common shares, there remains outstanding a non-transferable warrant entitling a major shareholder to purchase 1,800,000 common shares at \$0.65 per share expiring 15 June 1991.

15. INCOME TAXES

Under Canadian Income Tax Law, development and exploration expenditures are subject to certain restrictions in deductibility. The Company and the Canadian subsidiaries have total expenditures of approximately \$4,576,000 available at 30 June 1990 to be carried forward to reduce future taxable income in the Canadian companies.

The Company and the Canadian subsidiaries have total net capital losses of approximately \$1,397,000 and total non-capital losses of \$1,747,000 which may be carried forward to reduce future taxable income in the Canadian companies.

The U.S. subsidiaries have total losses of approximately \$4,132,000 U.S. which may be carried forward to reduce future federal taxable income in the U.S. companies.

16. RELATED PARTY TRANSACTIONS

During the year ended 30 June 1990, the Company:

- (a) Paid management and consulting fees of \$72,000 (1989 - \$72,000) to a corporation managed by a relative of a director of the company.
- (b) Issued 550,000 common shares at \$0.30 per share to Courageous Exploration Inc., as a result of an exercise of warrants.
- (c) Issued 150,000 common shares to a director of the Company at \$.80 per share as payment on the note payable to the director. See note 10(a).
- (d) Issued common shares of the Company to the following related parties in exchange for shares of American Chromium Limited:
 - 113,180 common shares at \$.55 per share to a director of Baretta Mining Inc.
 - 66,000 common shares at \$.55 per share to a director of the Company.
 - 35,400 common shares at \$.55 per share to a relative of a director of the Company.
- (e) Purchased from a corporation managed by a relative of a director of the Company, 71,100 Class A shares of American Chromium Limited at \$.12 per share and exchanged 1,164,080 Class B shares of American Chromium Limited for 1,164,080 Class A shares of American Chromium Limited.

During the year ended 30 June 1989, the Company:

- (f) Issued 300,000 common shares to American Chromium Limited at \$.35 per share.
- (g) Issued 800,000 common shares at \$.25 and 250,000 common shares at \$.30 to Courageous Exploration Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 1990

17. CONTINGENT LIABILITIES

- (a) The Company has a contingent liability to deliver shares of a related company in respect of the Island Mountain property as more fully described in note 8(c).
- (b) The Company has a contingent liability to deliver shares of the Company in respect of the Santa Rosa property as more fully described in note 8(b).

18. SUBSEQUENT EVENTS

- (a) Subsequent to the year-end, the Company issued 1,778,000 common shares of the Company to a creditor at \$.30 per share in settlement of a note payable. See note 10(d).
- (b) Subsequent to the year-end, the Company repaid the long-term debt. See note 11.

19. SEGMENTED INFORMATION

Financial information segmented according to geographical areas is:

	<u>1990</u>			
	<u>Canada</u>	<u>United States</u>	<u>Adjustments on Consolidation</u>	<u>Consolidated</u>
Income (loss) for the year	\$(2,315,838)	\$ 25,957	\$ 1,503,731	\$ (786,150)
Identifiable assets	4,045,339	8,210,728	2,033,727	14,289,794
Corporate assets				<u>45,002</u>
Total assets				<u>\$ 14,334,796</u>

	<u>1989</u>			
	<u>Canada</u>	<u>United States</u>	<u>Adjustments on Consolidation</u>	<u>Consolidated</u>
Income (loss) for the year	\$(1,592,059)	\$ (68,779)	\$ (53,902)	\$ (1,714,740)
Identifiable assets	2,572,757	9,211,871	1,049,097	\$ 12,833,725
Corporate assets				<u>858,560</u>
Total assets				<u>\$ 13,692,285</u>

20. COMPARATIVE FIGURES

Certain prior year's figures have been restated to conform to the current year's presentation.

CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED COSTS

FOR THE YEAR ENDED 30 JUNE 1990

	Opening	Additions	Write-down/ adjustment on Consolidation	Closing
CANADA				
North West Territories				
Courageous Lake				
Acquisition	\$ 892,950	\$ --	\$ (142,500)	\$ 750,450
Exploration	155,861	9,877	--	165,738
Pine Point				
Exploration	423,800	--	(423,599)	1
Snowbird Lake				
Acquisition	267,612	--	--	267,612
Exploration	--	191,709	--	191,709
	<u>1,740,023</u>	<u>201,586</u>	<u>(566,099)</u>	<u>1,375,510</u>
British Columbia				
Silver Basin				
Acquisition	616,208	--	--	616,208
Exploration	96,577	26	--	96,603
	<u>712,785</u>	<u>26</u>	<u>--</u>	<u>712,811</u>
TOTAL CANADA	<u>2,452,808</u>	<u>201,612</u>	<u>(566,099)</u>	<u>2,088,321</u>
UNITED STATES				
Oregon				
Turner Albright				
Acquisition	6,572,128	364,899	--	6,937,027
Exploration	1,401,028	63,395	--	1,464,423
	<u>7,973,156</u>	<u>428,294</u>	<u>--</u>	<u>8,401,450</u>
Paradise Chromium				
Acquisition	--	32,759	--	32,759
Exploration	--	715	--	715
	<u>--</u>	<u>33,474</u>	<u>--</u>	<u>33,474</u>
California				
Island Mountain				
Acquisition	1,016,464	--	--	1,016,464
Exploration	21,678	--	--	21,678
Santa Rosa				
Acquisition	266,419	--	--	266,419
Exploration	12,055	29,648	--	41,703
	<u>1,316,616</u>	<u>29,648</u>	<u>--</u>	<u>1,346,264</u>
Nevada				
Kemco Joint Venture				
Acquisition	360,071	120	--	360,191
Exploration	24,731	8,994	--	33,725
Silver Hill				
Acquisition	200,433	29,628	--	230,061
Black Mammoth				
Acquisition	150,000	--	--	150,000
Hill 6968				
Acquisition	--	113,288	--	113,288
	<u>735,235</u>	<u>152,030</u>	<u>--</u>	<u>887,265</u>
Wyoming				
Coal Leases				
Acquisition	211,000	198,447	--	409,447
TOTAL UNITED STATES	<u>10,236,007</u>	<u>841,893</u>	<u>--</u>	<u>11,077,900</u>
TOTAL	<u>\$ 12,688,815</u>	<u>\$ 1,043,505</u>	<u>\$ (566,099)</u>	<u>\$ 13,166,221</u>

Total expenditures and dispositions to mineral properties and deferred costs for the year ended 30 June 1989 were as follows:

Total expenditures (excluding \$3,484 of depreciation deferred)	\$ 536,429
Total dispositions	(79,143)
Net expenditures	<u>\$ 457,286</u>

